## NOTIFICATION.

*No.* 3778—*L. C. Bangalore, dated 24th May* 1938.

Under Standing Order No. 49 of the standing orders for the conduct of business of the Mysore Legislative Council, the following Report of the Select Committee on the Bill to regulate and control Insurance business in the State together with the Bill as amended by them is published for general information.

By Order,
A. SUNDARARAJA RAO,
*Secretary,*
*Mysore Legislative Council.*

### Report of the Select Committee on the Insurance Bill.

We, the members of the Select Committee to which the Insurance Bill was referred, have considered the several clauses of the Bill and have now the honour to submit this our report.

In this connection, representations received from a local insurance company and a company in British India and also from the Association of Indian Life Assurance Offices, Bombay, were brought to the notice of the committee and were also considered.

*Clause 1.*—Exemption of insurance business carried on by Government may appropriately be provided for in this clause as it contains provision regarding extent of the application of the Act rather than in clause 3 relating to "Registration." The following may be added as sub-clause (3), the present sub-clause (3) being renumbered as sub-clause (4). "(3) Nothing in this Act shall apply to any insurance business carried on by the Government."

*Clause 2.*—In sub-clause (9) (b) for the words "incorporated under the Mysore Companies Act 19" the words "incorporated under any law for the time being in force in Mysore" may be substituted so that the definition of "Insurance" may include bodies like the Co-operative Life Insurance Societies incorporated under the Co-operative Societies Act.

*Clause 3.*—In order to provide some means of securing information concerning discrimination against the nationals of Mysore which might have been imposed by the laws of the country in which a foreign company is incorporated, we recommend that after sub-clause (2) (d) of this clause, the following sub-clause be inserted, namely :—

"(*e*) In the case of an insurer having his principal place of business or domicile outside Mysore, a statement verified by an affidavit made by the principal officer of the insurer setting forth the requirements (if any) not applicable to nationals of the country in which such insurer is constituted, incorporated or domiciled which are imposed by the law or practice of that country upon the nationals of Mysore as a condition of carrying on insurance business in that country", the existing sub-clauses (*e*) and (*f*) being renumbered as (*f*) and (*g*).

For sub-clause 2 (*f*) as renumbered, the following may be substituted, namely,

"(*f*) a certified copy of the published prospectus, if any, and of the standard policy forms of the insurer and statement of the assured rates, advantages, terms and conditions to be offered in connection with insurance policies together with a certificate in connection with Life Insurance business by any actuary that such rates, advantages, terms and conditions are workable and sound.

Provided that in case of accident and miscellaneous insurance business other than workmen's compensation and motor car insurance the above requirements regarding prospectus, forms and statement shall be complied with only so far as prospectus, forms and statement may be available." The reasons for this amendment are (1) that unless the words "standard forms" are put in it may mean dozens of forms which have to be sent by each company and (2) that if the clause is extended to fire or accident insurance it will be an impossible task as in such insurance there may be many different

policies depending on the situation of the property or the risk attaching to the insurance. So the filing of standard forms can be insisted upon only in the case of life insurance companies.

*Sub-clause* (3).—With a view to widening the scope of the clause the words "nationals of Mysore" may be substituted for "companies incorporated in Mysore."

*Clause 4.*—Since mutual insurance companies like co-operative life insurance societies deal mostly with men of limited means, they must also be excluded from the operation of this clause. The words "or a mutual insurance company" may be inserted after the words "a co-operative life insurance society." At the end of sub-clause (2) as renumbered, the following may be added namely, "for an aggregate sum of not less than rupees five thousand under which an insurer pays or undertakes to pay a gross sum of rupees five hundred or less on an individual life." The addition of these words is calculated to prevent an insurer from evading the intention of the clause.

*Clause 7.*—With respect to the amount of deposit to be made by an insurer, we consider that it is desirable to have the same scale as in British India. But in order to give some relief we think that it may be permitted to be made in easy instalments. We therefore recommend that in the proviso to sub-clause (2) the maximum number of instalments may be increased to 12, the first instalment being not less than 1/8th of the total amount, the second not less than 1/7th of the balance and the subsequent instalments not less than 1/10th of the residue.

We consider that the interest to be allowed on deposits should be determined by Government from time to time, keeping in view the rates of interest allowed by Government on long term deposits in the savings bank, cash certificates and the like. Sub-clause (6) may be amended as follows:

"A deposit made in cash shall be invested by the Comptroller and shall carry interest at rates sanctioned by Government from time to time on such deposits and shall be returnable to the insurer in cash in any case in which under the provisions of this Act a deposit is to be returned; and any interest accruing due and collected on such deposits and on securities

deposited under sub-section (1) shall be paid to the insurer, subject in the case of securities only to deduction of the normal commission chargeable for the realization of interest."

*Clause 8.*—As the clause now stands, it is not clear that the deposit could not be attached at the instance of a policy holder even though the insurer had other assets available. It is therefore proposed to amend sub-clause (1) so that the policy holder can proceed against the deposit only when he has exhausted other remedies.

*Clause 15.*—This clause refers to two kinds of statements, statement under section 11, revenue account and so on and abstract of actuarial report under section 13. The period of six months will be quite ample for statements required to be published under section 11, but with regard to actuarial valuation it is considered that it might take a longer time. Some latitude is therefore proposed to be given to the Superintendent to give three months extension.

*Clause 20.*—The copying fee prescribed in this clause is based on the number of words. But the returns will consist mostly of figures. So an alternative method of calculating the fee on the basis of figures is also prescribed.

We feel that it is reasonable that a small fee should be prescribed for the supply to the share holder or policy holder of copies of accounts, etc., by the insurer.

*Clause 32.*—Some of the members of the Select Committee desired that the term of Managing Agent engaged by the insurer doing business before the commencement of this Act should be extended from 3 to 5 years, but the majority were not in favour of such extension.

*Clause 42.*—There may be a large number of persons applying for licences and the Superintendent himself may be unable to deal personally with all such applications. It is therefore proposed to permit the Superintendent to delegate the power of issue of licence.

As the clause stands at present, licences cannot be granted or renewed in the case of individuals suffering from any of the disqualifications mentioned therein. Such a provision may, in certain circumstances, cause undue hardship. The individual once found guilty of

fraud etc., under sub clause (4) (d) may be given a chance of improving himself and if he has shown improvement he may be given a chance of obtaining a license. We therefore propose that to sub-clause (4) (d), the following proviso be added :—

"Provided that the disqualification in clause (d) shall, if the Superintendent so directs, cease to operate after the expiry of such period as he may determine."

*Clause 62.*—The retaliatory action contemplated in this clause is an exceptional power to be exercised in special circumstances and must not be made obligatory in every case. We accordingly propose that the word "shall" in line 10 of this clause be changed to "may" so that the rule may be relaxed in cases in which reciprocal arrangements are entered into.

*Clause 67.*—It is desirable that this rule about the name of a Provident Society is made applicable to existing companies also.

*Clause 69.*—Specific provision has been added for the compulsory winding up of societies transacting business made illegal. Existing societies instead of being wound up at once, will be allowed a respite of two years ,with a view to reorganization for undertaking legitimate business. No new business of the prohibited type should however be undertaken during the period of respite.

*Clause 97.*—As the first instalment of the deposit has been reduced in the case of life insurance companies, the first instalment in the cases of mutual insurance companies and co-operative life insurance societies may also be reduced from Rs. 25,000 to Rs. 15,000.

*Clause 109.*—It is desirable to fix up a time limit for the filing of an appeal from any of the orders mentioned in this clause. We propose to fix up a time limit of 30 days.

*Clause 117A.*—Some of the provisions of this Act such as those relating to nomination may well be applied to insurance business carried on by Government. We consider that it is desirable to have a general power to apply any of the provisions to State Life Insurance business.

We have made other amendments of a verbal nature with a view to correcting errors or supplying obvious omissions and in some places to make the meaning clear.

They do not call for any remarks separately in the report. As a large number of amendments has been made we recommend that the Bill as amended be republished along with our report.*

N. MADHAVA RAU (*Chairman*).
BELUR SRINIVASAIENGAR.
MAHOMED ABBAS KHAN.
D. V. GUNDAPPA.
S. SHAMANNA.
S. ABDUL WAJID.
M. VENKATANARANAPPA.
MIRLE N. LAKSHMINARANAPPA.

Mr. R. C. Morris was unable to be present at the meeting.

*(Amended Bill printed as an annexure at the end.)

## NOTIFICATION.

*No. 3779—L. C., Bangalore, dated 24th May* 1938.

Under Standing Order No. 49 of the standing orders for the conduct of business of the Mysore Legislative Council, the following Report of the Select Committee on the Bill to consolidate and amend the Law relating to Trading Compaines and other Associations is published for general information.

By Order,
A. SUNDARARAJA RAO,
*Secretary,*
*Mysore Legislative Council.*

## Report of the Select Committee on the Companies Bill.

We, the members of the Select Committee appointed to consider the Companies Bill met on four days and considered the several clauses of the Bill and have now the honour to submit this our report :—

*Clause 11.*—In clause (a) of sub-clause (3) of this clause, the word " Mysore " may be omitted as no objection need be taken to the use of that word and it is not likely to indicate any association with the Government.